Plant Visit Note
13th Apr 2026

HFCL Ltd

Defence and Data center will be a key opportunity.

CMP: INR 84

Rating: BUY

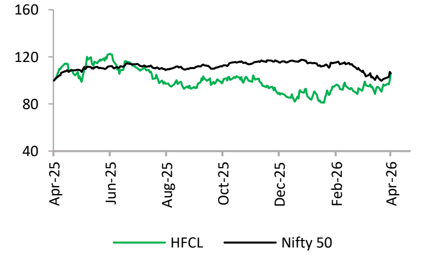
Target Price: INR 147

Stock Info	
BSE	500183
NSE	HFCL
Bloomberg	HFCD:LI
Reuters	HFCL.NS
Sector	Cables
Face Value (INR)	1
Equity Capital (INR cr)	144
Mkt Cap (INR cr)	12,852
52w H/L (INR)	94 / 59.8
Avg Yearly Volume (in 000')	17,336

Shareholding Pattern % *(As on Dec, 2025)*	
Promoters	28.29
DII	9.07
FII	7.48
Public & Others	55.16

Stock Performance (%)	3m	6m	12m
HFCL	10.2	18.4	6.1
NIFTY	-8.1	-8.0	6.1

HFCL vs Nifty



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We hosted a site visit to HFCL's OFC manufacturing facility in Hyderabad, Telangana, for our institutional clients. During the visit, we engaged in discussions with Mr. Harsh Pagay., Executive President (OFC), and his team. The plant is already manufacturing higher fiber count cables (3,456F) for data centers and has developed 6,912F cables, and is waiting for certification. The higher fiber count cables and IBR cables realization more than 2x compared to conventional cables. The OFC capacity expansion from 30 mn f.km to 40 mn f.km by Dec-2026 to meet demand from data centers, 5G, and upcoming 6G technology. We anticipate that the industry is structurally shifting from Telecom demand to Data center & AI Infrastructure, and HFCL is a major beneficiary of the OFC Industry tailwinds.

OFC Highlights

Structural growth driven by AI and Data Center demand: The global demand for optical fiber is experiencing a structural shift, with data center and AI workloads adding 150-200 mn f.km to the baseline telecom demand. The company has strategically pivoted to address the high-value market by high-fiber count cables up to 6,912 fibers and specialized Intermittently Bonded Ribbon (IBR) technology. As per our understanding, Data center products realization are 2x compared to conventional cables at the industry levels. The spot market realization is in the range of 3-5x due to disrupted supplies at the industry levels. The emergence of UAV fiberization in defence shows a new, high-volume consumable demand, requiring 50-100 mn f.km, globally, for drone connectivity to bypass electronic jamming.

Deep vertical integration for margin improvement: The company maintains a significant competitive edge through backward integration, producing 80% of its raw materials in-house, including FRP rods, ARP cables, and IGFR. The company is investing INR 580cr in a new preform project to manufacture 300 MT of glass annually using superior VAD+OVD technology. The backward integration is expected to yield cost savings of INR 120-150/f.km, insulating the company from global supply chain volatility.

Adapting industry trends through technology leadership: The company is one of the top four manufacturers globally for IBR technology. The company has 25 patent applications in India and the US. Around 80%-90% of the fiber produced is the high-performance A2 bend-insensitive grade, which is essential for the compact routing required for modern data center racks. The company owns technology and designs, which are critical for serving US hyperscalers who strictly avoid Chinese products due to IP rights concerns and data security risks. The company is already developing next-generation hollow core and multi-core fibers to meet the low-latency needs of future networks.

Export momentum supported by favorable global dynamics: The company is a primary beneficiary of global trade restrictions on Chinese manufacturers, who face anti-dumping duties of 35%-88% in the U.S, UK, and European Union. The company faces a minor 8.5% anti-subsidy duty, which is lower than that of other players and remains a preferred Non-Chinese partner for global hyperscalers. The company has entered a $1.1bn long-term contract from a global hyperscaler to supply over the next 5 years. The company has moved away from fixed price models to quarterly flexible pricing to manage volatility in freight and raw materials.

Capacity expansion to meet growing demand: The company is expanding OFC capacity from 30mn f.km to 40mn f.km by Dec-2026 to support 5G, Data center, AI infrastructure, and the upcoming 6G technology. The company remains the largest system integrator in India, having executed over 60% of the BharatNet project in multiple states. The major project milestones are completed, and receivables are expected to reduce going forward.

We hosted a site visit to HFCL's defence manufacturing facility in Hosur, Tamil Nadu, for our institutional clients. During the visit, we engaged in discussions with Mr. Sampathkumaran S.T., Executive President (Defence), and his team. Hosur Plant construction was completed in 60 days, showing rapid execution. The company is currently in the process of expanding its defence manufacturing capabilities, including the development of an ammunition-related facility. We believe the Defence segment is well-positioned for growth, supported by strong execution and an experienced leadership team.

Defence Highlights

Strategic infrastructure and rapid execution capabilities: HFCL is establishing an ammunition complex at Madakashira, Andhra Pradesh. The initial construction work has commenced with an investment of over INR 50cr. The company has demonstrated strong execution capabilities, as seen in the completion of the Hosur Defence Plant within 60 days. The combination of scale, strategic location, and rapid execution positions HFCL favourably in the domestic ammunition manufacturing space.

Technological sovereignty through vertical Integration: HFCL builds its own source code, flexible PCBs, and Thermal Imaging cores, while competitors rely on foreign sub-systems. The company avoids geopolitical supply chain risks and protects IP by refusing source code from international companies. The indigenous electronic fuzes achieved 96% success rate, far outperforming legacy mechanical designs. The vertical integration leads to higher margins, supply chain security, and proprietary control over mission-critical technologies like AI-enabled weaponized algorithms. The company is not just assembling, it is engineering sovereignty.

Market disruption and domestic supply gap capture: Legacy defence suppliers typically operate on longer delivery cycles, leading to supply constraints. HFCL aims to address this gap with a more agile execution approach and is working towards significantly improving delivery timelines. The annual domestic fuze demand is estimated at ~10 lakh units, while current supply remains lower, indicating a meaningful opportunity. HFCL is in the process of developing capabilities across proximity, time, and other fuzes, and is positioning itself to capture market share as it scales up operations, while legacy players adapt to evolving requirements.

Robust order book and near monopoly positions show visible business growth: The defence order book stands at ~INR 500cr, comprising orders across thermal weapon sights (TWS), radars, tactical communication cables, and wire harnesses for aircraft and armoured platforms. This further expands to ~INR 2,200cr with the addition of the Spiral acquisition order book of ~INR 1,700cr, which includes gimbal systems, UAV payload integration, and electric wire harnesses. The company has established capabilities across multiple critical defence product segments, including wire harnesses for platforms such as the K9 Vajra tank and LCA Tejas fighter aircraft. HFCL has also been recognised by HAL with the "Best Supplier Award." Additionally, the company has secured technology transfers from DRDO across multiple product categories, enabling the domestic manufacture of previously imported items.

De-risking through diversified portfolio and exports: Domestic defence procurement processes are relatively structured and time-intensive, while export markets such as Africa, the Middle East, and Europe offer incremental opportunities. HFCL is actively exploring international markets and engaging with potential customers to expand its export footprint. The company is diversifying its product portfolio across multi-mode grenades, thermal weapon sights, coastal surveillance radars, High-Capacity Radio Relay (HCRR) systems, and NATO-standard compliant solutions, enabling cross-selling opportunities across geographies. The upcoming defence manufacturing facility at Madakashira, along with a focused export strategy, is expected to gradually reduce dependence on any single customer or region, supporting a more balanced growth profile across domestic and international markets.

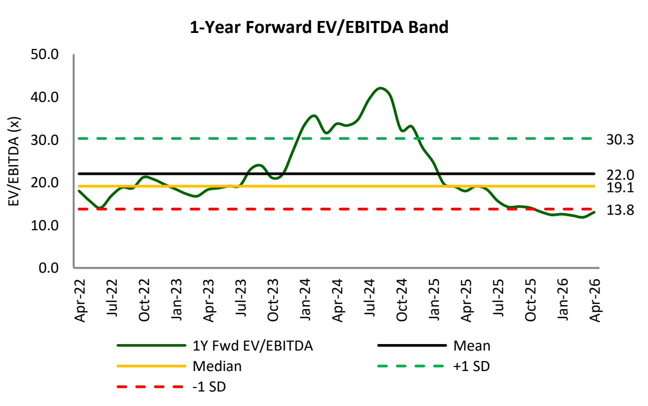
Outlook & Valuation: HFCL is set for strong growth across both defence and optical fiber cable segments, driven by rapid execution, vertical integration, and favorable market shifts. In defence, the upcoming ammunition complex in Madakashira with a capex of INR 1,390cr provides a first-mover advantage. The indigenous technologies, such as electronic fuzes with a 96% success rate and near monopoly positions in thermal weapon sights and wire harnesses, support future growth. The electronic fuzes trail is expected by May/Jun 2026. The order book expanded from INR 500cr to INR 2,200cr+ through Spiral acquisitions and growing exports to Europe, Africa, and the Middle East. In the OFC business, a structural shift from telecom to data center and AI infrastructure is boosting demand for higher fiber cables up to 6,912 fibers. The higher fiber cable price realizations are more than 2x of conventional cables. The OFC capacity is expanding from 30mn f.km to 40mn f.km by Dec-2026 to cater to demand from 5G, data center, and the upcoming 6G technology. The company has signed a $1.1 bn long-term contract from a global hyperscaler to supply over the next 5 years. The deep vertical integration, including a new preform project saving INR 120-150/f.km going forward. The company is shifting away from low-margin EPC toward higher-margin OFC, defence, and solution-based businesses, leading to 18%-20% EBITDA margins going forward. We estimate Revenue/EBITDA/PAT CAGR of 22%/45.2%/69.5% CAGR over the period of FY25-28E. RoCE/RoE is expected to improve from 5.6%/4.3% (FY25) to 13.4%/14% in FY28E, respectively. At the CMP of INR 84 per share, we maintain our “BUY” rating at a TP of INR 147 per share based on SOTP; an upside of 74.8%.

Exhibit 1: HFCL FY28E based implied valuation

Particular	Telecom Products	Turnkey Contracts and Services	Defence	Overall
FY28E EBITDA (INR cr)	1,147	220	245	
EV/EBITDA (x)	15.0x	10.0x	20.0x	
EV (INR cr)	17,205	2,204	4,892	24,301
Net Debt/(cash) (INR cr) - FY28 end				733
Market Cap (INR cr)				23,568
Share outstanding (cr)				161
Target Price (INR)				**147**
CMP (INR)				**84**
Upside (%)				**74.8%**
Rating				**BUY**

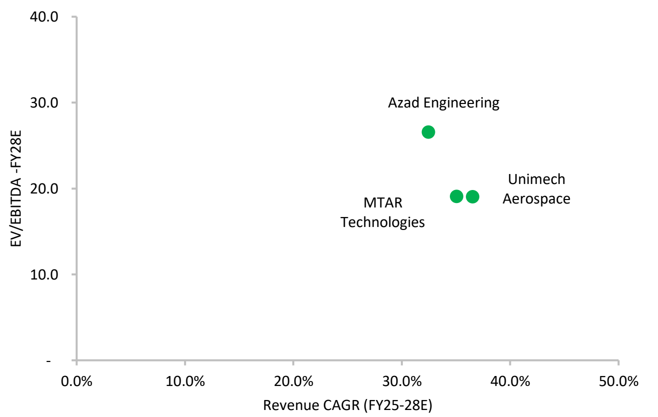
Source: Company reports, Arihant Capital Research
EPC business valuations are available at 8-10x EV/EBITDA. HFCL specializes in EPC, which is related to OFC (BharatNet), and executes projects through an EPC partner. We anticipate that the Turnkey Contracts and Services business can be valued at 10x EV/EBITDA.

Exhibit 2: 1-year forward Mean & Median EV/EBITDA – 22x & 19.1 respectively. We assigned EV/EBITDA of 15x (close to Mean of Median & -1SD EV/EBITDA)



Source: Arihant Capital Research

Exhibit 3: Defence players are available at 20-30x EV/EBITDA valuations. HFCL is setting up a major ammunition complex with a capex of INR 1,390cr over the medium term. We anticipate that the Defence business will also align with Industry valuations.



Source: Bloomberg, Arihant Capital Research

HFCL Q3FY26 Result update: https://bit.ly/4tyNtol

Plants and OFC Portfolio

Exhibit 4: We have visited Hyderabad (OFC facility) and Hosur (Defence & Wire harness facility). All the plants strategically located near the clients and ports.

Plant Location	Core Focus & Products	USP & Key Features
Hyderabad	Optical Fiber, Optical Fiber cables, Next-generation high fiber count cables, IBR cables, FRP products, micro cables, and micro-module cables.	Latest and most automated facility utilizing PLC and SCADA systems, allowing managers to monitor control parameters via mobile even from home. It features world-class drawing towers that are 36 meters high. These towers can accommodate preforms up to 200 mm in diameter and 7.5 meters in length, capable of running continuously for 1.5 days. The plant is also environmentally sustainable, certified for "zero waste to landfill" with a minimized carbon footprint.
Goa	Optical Fiber Cables (OFC).	Known as the "Mother Plant". it is the company's oldest factory and served as the foundation for its cable manufacturing expertise. It is the source of the company's "good practices," certifications, and the core technical teams that have since helped set up and manage operations at the newer facilities like Hyderabad.
Chennai	Data center cables, cable assemblies, bypass cables, and specialized defense cables (tactical and wire armor).	Home to an ISO 17025 certified laboratory, which grants the company the unique capability to certify not only its own products but also those of its competitors. The facility is highly specialized in high-value connectivity solutions, particularly for the data center and defense sectors.
Hosur	Defence Products, Wire harness solution for Automative, Defence & Aerospace.	The backbone of the company's backward integration strategy, producing 80% of the raw materials used in-house. The defence products like Night Vision Devices, Radar Systems, Electronic Fuzes, etc.

Source: Company reports, Arihant Capital Research,

Exhibit 5: Telecom and OFC Product portfolio

Product Category	Specific Products	Key Details & Applications
Telecom Equipment	IP/MPLS Routers, 5G Routers, M23 Switches, Wi-Fi Access Points	Includes high-end networking equipment for telecom infrastructure and 5G deployment.
OF & OFC	Telecom, Data Center, Broadband, and Defense Cables	Specialized cables designed for specific environments; includes tactical and wire armor cables for defense.
	High Fiber Count Cables	Developed cables with fiber counts up to 6912; commercial manufacturing currently active up to 3,456 fibers.
	Intermittently Bonded Ribbon (IBR)	Next-generation high-density cables for data centers; offers better blowing/bending performance and higher realizations (2x realizations).
	Micro & Micro Module Cables	Compact cable designs optimized for space-constrained environments.
	A1 & A2 Bend-Insensitive Fiber	High-performance fibers; 80-90% of current production is the superior A2 grade, ideal for sharp turns in data centers.
	Hollow Core & Multi-Core Fiber	Future-generation fibers currently under development, with a target timeline of 2.5 years.
Connectivity Solutions	DC Passive Connectivity	Includes interconnects, closures, raceways, cabinets, cases, and cassettes for GPU rack connectivity.
	ISP Connectivity	Inside Plant solutions with high value due to complex labor-intensive cable assemblies and connectors.
Raw Materials (Backward Integration)	FRP Rods, ARP Cables, IGFR	The company produces 80% of its raw materials in-house, including Impregnated Glass Fiber Reinforcement (IGFR).
	Glass Preforms	Developing in-house manufacturing for 300 MT of glass preforms.
Specialized Applications	Drone/UAV Fiber	Naked optical fiber spools (50-75 km) used for drone connectivity to prevent radio jamming; treated as a consumable in modern defense.

Source: Company reports, Arihant Capital Research

Defence Product Portfolio

Exhibit 6: HFCL Defence business is ready to take off through new ammunition plant. The company is diversifying product portfolio and actively expanding geographies through exports.

Product Category	Products & Systems	Technical Details & Operational Capabilities	Strategy and Market Position
Electronic Fuzes	Proximity, Time, and Percussion Fuzes.	These fuzes offer a 96% success rate compared to lower-reliability legacy mechanical versions. Proximity fuzes detonate 4-16 meters above ground for enhanced blast effects on personnel, while Time fuzes allow precision settings from 3 to 199 seconds. They incorporate radar technology and safety arming mechanisms to prevent accidental explosions.	The company is targeting at shells of 105mm, 130mm, and 155mm calibers (realization: INR 30,000/unit). The company aims to fill a massive supply gap where domestic demand is 10 lakh units/annum, but current players only deliver 5-6 lakh units. The company is focused on 6-month delivery compared to 2 years industry delivery time-line. The ongoing qualification trails are expected to be completed by May/Jun-2026.
Ammunition & Munitions	Artillery Shells & Multi-Mode Hand Grenades.	Manufacturing includes shells for 105mm, 130mm, and 155mm calibers, with ongoing development for extended-range munitions (37-39 km). Multi-mode grenades use DRDO technology, contain 4,000 metal pieces, and have a 10-meter lethal radius.	A new 1,000-acre ammunition complex is being built in Madakashira with a capex of INR 1,390cr over the medium term. The company initially capex of INR 50cr+ deployed and commercial readiness is expected in the next 10 months.
Electro-Optics & Thermal Systems	Thermal Weapon Sights (TWS), Handheld Thermal Imagers, and Night Sights.	Products are built around the proprietary TI (Thermal Imaging) Core, the "heart" of the system that converts heat signals into visible images. TWS units are ruggedized for extreme temperatures (-40°C to +70°C) and undergo 12-hour calibration and shock testing for gun recoil.	The company holds a virtual monopoly on a 6,47,500-unit contract for AK-203 thermal sights planned over 10 years. The company has already delivered 6,000 units and is targeting 12,500 units by FY27E. The realization is around INR 2-3 lakh per unit.
Radar Systems	Coastal Surveillance, Drone Detection, and Ground Surveillance Radars.	These systems are operational and installed at key Indian Navy locations. They utilize advanced detection algorithms to track drones and maritime threats.	The company remains competitive as a new market entrant winning contracts over established players.
Communications & SDR	High-Capacity Radio Relay (HCRR), CTCS, and Software Defined Radio (SDR).	HCRR operates in the C-band (4.4-5 GHz) with a 100 Mbps data rate, interfacing with legacy Army optical and electrical systems. CTCS (Troposcatter) provides long-range communication of 60 km in scatter mode and 100 km in line-of-sight, which is 3-4 times standard relay ranges.	The systems include specialized link software to verify line-of-sight coordinates before field deployment. CTCS is a high-value, expensive technology compared to standard HCRR.
Wire Harnessing	Defense & Aerospace Harnesses; Automotive Harnesses.	The company supplies complex wiring for LCA Tejas (cockpit assembly), Jaguar aircraft, and tanks like K9 Vajra, T-72, and BMP-2. The LCA cockpit harness is considered the most complicated, for which company received a "Best Supplier Award" from HAL.	Wire harnessing business is around INR 280-300cr with 350 employees. HFCL is one of only two qualified suppliers for these critical defense tenders. Automotive clients include Royal Enfield and Ashok Leyland.
UAVs & Payloads	Weaponized Drones & Surveillance Payloads.	Development includes drone-carried grenade delivery systems and specialized warheads weighing 8-10 kg. Surveillance payloads offer a 40 km line of sight, providing real-time data for UAV and helicopter platforms.	Integrated with gimbal systems (INR 1.5-2cr/unit) from the Spiral acquisition, with a total system price around INR 12cr per unit. R&D is currently targeting handheld short-range drones ready in 18 months. The company collaborated with IdeaForge to supply thermal cameras, replacing imports,

Source: Company reports, Arihant Capital Research

Exhibit 7: The company is current executing and delivering Thermal Weapon Sights to customers. Artillery Shells will be manufactured in the new ammunition plant.

High Explosive Artillery Shell – 155mm

Thermal Weapon Sight

Source: Company reports, Arihant Capital Research

Exhibit 8: Percussion fuzes work on inertial impact and immediate detonation on contact, which is ideal for soft targets. Time fuzes allow precision settings from 3 to 199 seconds.

Electronic Percussion Fuze

Electronic Time Fuze

Source: Company reports, Arihant Capital Research

Exhibit 9: Proximity fuzes detonate 4-16 meters above ground for enhanced blast effects on personnel. Multi-mode grenades use DRDO technology, contain 4,000 metal pieces, and have a 10-meter lethal radius.

Electronic Proximity Fuze

Multi-Mode Hand Grenade

Source: Company reports, Arihant Capital Research

Exhibit 10: Defence Product Portfolio – Some of the products displayed

Source: Company reports, Arihant Capital Research

Exhibit 11: Capex and Backward integration

Particular	Capex and backward integration details	Key Technologies & Rationale
Ammunition Manufacturing Complex	The capex of INR 1,390cr to set-up a major ammunition manufacturing complex in Madakashira, Andhra Pradesh, which is expected to create roughly 890 specialized jobs. Initial funds sanctioned to start infrastructure work immediately at the Madakashira site. Construction is scheduled to begin on Apr-2026, with a groundbreaking ceremony targeted for early May-2026. The budget of INR 30cr for an extensive 35 km boundary wall/fencing project designed to meet strict defense specifications and safety requirements for the 1,000-acre site.	A newly approved budget (INR 50cr+) for a dedicated facility to scale up the production of multi-mode hand grenades and electronic fuzes, targeting commercial readiness within 10 months. The facility will focus on wide range of ammunitions going forward.
Optical Fiber Cable (OFC) Expansion	The capacity is expected to increase from 30mn f.km to 40mn f.km by Dec-26. The company has ordered additional 6 lines.	Focuses on high fiber count cables and Intermittently Bonded Ribbon (IBR) to address data center demand.
In-house Preform Manufacturing	The company is setting-up 300 MT/annum preform facility. The capex is expected INR 580cr and payback period is expected in 2-2.5 years.	Uses VAD + OVD technology, considered superior for telecom and hyperscaler-grade fibers. In-house preform and other raw material backward integration is expected yield cost savings of INR 120-150/f.km going forward.
Preform Assembly (Rick Technology)	The company is setting-up 400 MT/annum glass through core/cladding assembly. The assembly is expected to be completed by Dec-2026. its through strategic partners and intended to boost margins.	Allows the company to become self-dependent and take advantage of market scarcity.
R&D and Next-Gen Fibers	The development of Hollow Core and Multi-Core Fiber is expected in 2.5 years.	Focuses on future-generation products for hyperscalers and low-latency defense applications.
IBR Facility Conversion	The company is converting existing capacity into specialized IBR lines. Around 80% of expansion is already running and remaining machines are expected by Dec-2026.	Positions the company among the top 4 manufacturers globally for IBR technology.
Backward Integration (Raw Materials)	The company has 80% in-house production for critical components.	Manufacturing FRP rods, ARP cables, and IGFR internally to protect margins.

Source: Company reports, Arihant Capital Research

Exhibit 12: OFC Supply chain and raw materials.

Category	Component/Detail	Strategic and Sourcing
In-House Raw Materials	FRP Rods, ARP, and IGFR	These critical components are manufactured at the Hosur plant, reducing dependence on external vendors for 80% of cable RMs.
Glass Preform and Fiber	Core and Cladding	The preform is the most critical RM, accounting for 80% of total fiber cost.
	Multi-Source Strategy	1) Two Japanese Suppliers: Shin-Etsu and Sumitomo (long-term contracts). 2) "Rick" Assembly: In-house assembly of purchased core/clad (400 MT capacity by Dec-2026). 3) A new 300 MT preform project using VAD + OVD technology.
	Fiber (The company draws fiber from Preform.	In low-fiber count cables (e.g: 48-fiber), fiber is 40-50% of the cable RM cost. In high-fiber count cables, it surges to 70-80%.
Process Chemicals & Minerals	Germanium	Sourced via robust supply chains from major global chemical suppliers like Shin-Etsu; currently no supply issues.
	D4	A specialized material with no current indigenous suppliers in India; must be imported.
	Coatings	Protective layers applied to the glass during the drawing process; a significant contributor to total RM cost.
Process Gases	Helium	Essential for the fiber cooling process. Despite global price hikes of 30-40%, the company mitigates costs by recycling helium in-house.

Source: Company reports, Arihant Capital Research

Exhibit 13: Defence and Wire Harness Supply chain and raw materials.

Category/Material	Sourcing Strategy	Operational Details & Strategic Constraints
Semiconductors & Sensors	Primarily imported from China, Europe, and the US as India currently lacks domestic production for these critical items.	Critical Bottleneck: These components face significant lead times of 8 to 12 months, which directly hinders production schedules.
FPGAs (Field-Programmable Gate Arrays)	Imported; not manufactured within India.	These are highly expensive and critical components.
Batteries	Sourced from South Korea; no Indian company currently produces the required defense-grade batteries.	The company maintains a backup supplier to mitigate risks, though changing battery vendors is difficult as it requires re-qualifying the entire product.
Flexible PCBs	Manufactured In-house; the company specifically refused to source via Israel (e.g: from Eltek) to protect technology sovereignty.	Internal development of PCBs and source codes is a key differentiator, as even large competitors often source these externally.
Thermal Imaging (TI) Cores	Developed and designed in-house; considered the "main heart" of thermal systems.	The company is one of the few Indian companies with proprietary TI core technology, which converts heat signals into visible images.
Mechanical & Housing Components	Local Indian suppliers provide aluminum and plastic components.	For thermal sights, even a 1-2-micron deviation in mechanical components can cause focus failure between the detector and lens, requiring high-precision manufacturing.
Specialized Munition Materials	DRDO Technology Transfer (ToT) is used for multi-mode grenades.	Each grenade contains 4,000 metal pieces designed to create a 10-meter lethal radius for low-intensity conflicts.
Wiring Harness Materials	Sourced for major platforms like Boeing, LCA Tejas, and tanks (T-72/K9 Vajra).	High-volume requirement; a single aircraft can contain up to 28 km of electrical wiring.
Production Environments	Highly specialized in-house facilities.	Thermal sight assembly requires Class 10,000 and Class 100,000 dust-free clean rooms to ensure system integrity.

Source: Company reports, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	4,727	4,743	4,465	4,065	4,496	5,813	7,374
Net Raw Materials	3,499	3,479	3,220	2,944	2,892	3,670	4,545
Employee Cost	311	348	351	364	431	551	691
Other Expenses	268	298	313	308	475	608	764
EBITDA	**650**	**619**	**582**	**449**	**698**	**984**	**1,374**
EBITDA Margin (%)	**13.8%**	**13.0%**	**13.0%**	**11.0%**	**15.5%**	**16.9%**	**18.6%**
Depreciation	(78)	(83)	(82)	(106)	(157)	(170)	(210)
Interest expense	(166)	(152)	(147)	(185)	(218)	(163)	(150)
Other income	43	47	101	58	57	127	132
Profit before tax	**442**	**431**	**454**	**217**	**380**	**778**	**1,145**
Taxes	(116)	(113)	(117)	(43)	(103)	(205)	(301)
PAT	**326**	**318**	**338**	**173**	**277**	**573**	**844**
PAT Margin (%)	**6.9%**	**6.7%**	**7.6%**	**4.3%**	**6.2%**	**9.9%**	**11.4%**
Other Comprehensive income	2	2	130	(36)	-	-	-
Total comprehensive income	**328**	**319**	**467**	**137**	**277**	**573**	**844**
EPS (INR)	2.4	2.3	3.2	1.0	1.8	3.7	5.3

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	137	138	144	144	153	155	161
Reserves	2,661	2,970	3,812	3,935	4,707	5,324	6,443
Net worth	**2,798**	**3,108**	**3,956**	**4,079**	**4,860**	**5,478**	**6,604**
Minority Interest	20	37	44	40	40	40	40
Provisions	45	53	60	69	26	19	20
Debt	1,172	1,137	1,432	1,802	1,202	1,047	1,027
Other non-current liabilities	-	29	77	86	27	35	37
Total Liabilities	**4,035**	**4,363**	**5,569**	**6,077**	**6,155**	**6,620**	**7,728**
Fixed assets	465	487	496	630	973	1,267	1,589
Capital Work In Progress	47	71	154	200	63	32	39
Other Intangible assets	74	215	433	580	580	580	580
Goodwill	26	26	26	26	26	26	26
Investments	87	102	255	229	247	233	258
Other non current assets	47	57	60	88	58	76	96
Net working capital	**2,366**	**2,537**	**3,265**	**3,220**	**3,311**	**3,616**	**4,098**
Inventories	573	758	774	899	951	955	872
Sundry debtors	2,492	2,309	2,736	2,302	2,648	3,105	3,838
Loans & Advances	37	31	29	27	18	23	29
Other current assets	401	548	644	1,461	616	669	768
Sundry creditors	(1,037)	(878)	(808)	(1,079)	(832)	(1,032)	(1,299)
Other current liabilities & Prov	(99)	(232)	(110)	(391)	(90)	(105)	(111)
Cash	528	323	336	491	379	152	268
Other Financial Assets	395	546	544	612	517	639	774
Total Assets	**4,035**	**4,363**	**5,569**	**6,077**	**6,155**	**6,620**	**7,728**

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.7	0.7	0.8	0.7	0.7	0.7
Interest burden (x)	0.8	0.8	0.9	0.6	0.7	1.0	1.0
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Asset turnover (x)	1.0	1.0	0.9	0.7	0.8	1.0	1.1
Financial leverage (x)	1.9	1.5	1.4	1.4	1.3	1.2	1.1
RoE (%)	**13.8%**	**10.8%**	**9.6%**	**4.3%**	**6.2%**	**11.1%**	**14.0%**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	442	431	454	217	380	778	1,145
Depreciation	78	83	82	106	157	170	210
Tax paid	(116)	(113)	(117)	(43)	(103)	(205)	(301)
Working capital Δ	(434)	(171)	(728)	45	(91)	(305)	(482)
Operating cashflow	**(30)**	**230**	**(309)**	**324**	**343**	**438**	**572**
Capital expenditure	(135)	(128)	(174)	(286)	(363)	(432)	(539)
Free cash flow	**(166)**	**101**	**(483)**	**38**	**(20)**	**6**	**33**
Equity raised	588	33	547	(25)	550	141	422
Investments	(41)	(15)	(153)	26	(18)	15	(26)
Others	39	(302)	(219)	(244)	125	(139)	(155)
Debt financing/disposal	(176)	(35)	295	370	(600)	(155)	(20)
Dividends paid	(19)	(24)	(29)	(29)	(46)	(95)	(140)
Other items	(4)	37	55	18	(102)	1	3
Net Δ in cash	**222**	**(206)**	**14**	**155**	**(112)**	**(227)**	**116**
Opening Cash Flow	**306**	**528**	**323**	**336**	**491**	**379**	**152**
Closing Cash Flow	**528**	**323**	**336**	**491**	**379**	**152**	**268**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)							
Revenue growth	6.9%	0.3%	-5.9%	-9.0%	10.6%	29.3%	26.9%
Op profit growth	18.3%	-4.8%	-6.0%	-22.8%	55.5%	40.9%	39.6%
Profitability ratios (%)							
OPM	13.8%	13.0%	13.0%	11.0%	15.5%	16.9%	18.6%
Net profit margin	6.9%	6.7%	7.6%	4.3%	6.2%	9.9%	11.4%
RoCE	12.4%	10.3%	9.2%	5.6%	7.3%	11.0%	13.4%
RoNW	13.8%	10.8%	9.6%	4.3%	6.2%	11.1%	14.0%
RoA	8.1%	7.3%	6.1%	2.9%	4.5%	8.7%	10.9%
Per share ratios (INR)							
EPS	2.4	2.3	3.2	1.0	1.8	3.7	5.3
Dividend per share	0.1	0.2	0.2	0.2	0.3	0.6	0.9
Cash EPS	2.9	2.9	2.9	1.9	2.8	4.8	6.6
Book value per share	20.4	22.6	27.5	28.3	31.8	35.4	41.1
Valuation ratios (x)							
P/E	35.3	36.2	25.9	88.2	46.4	22.7	16.0
P/CEPS	28.6	28.9	28.9	43.5	29.6	17.5	12.8
P/B	4.1	3.7	3.1	3.0	2.6	2.4	2.0
EV/EBITDA	18.8	20.0	22.7	29.9	19.6	14.1	10.4
Payout (%)							
Dividend payout	5.8%	7.7%	8.5%	16.6%	16.6%	16.6%	16.6%
Tax payout	26.3%	26.2%	25.7%	20.0%	27.0%	26.3%	26.3%
Liquidity ratios							
Debtor days	214	185	206	226	201	181	172
Inventory days	53	70	87	104	117	95	73
Creditor days	125	85	79	95	92	70	71
WC Days	142	170	214	235	226	205	174
Leverage ratios (x)							
Interest coverage	3.4	3.5	3.4	1.9	2.5	5.0	7.7
Net debt / equity	0.2	0.3	0.3	0.3	0.2	0.2	0.1
Net debt / op. profit	1.0	1.3	1.9	2.9	1.2	0.9	0.6

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 14: Revenue is expected to grow at 22% CAGR over the period of FY25-FY28E.

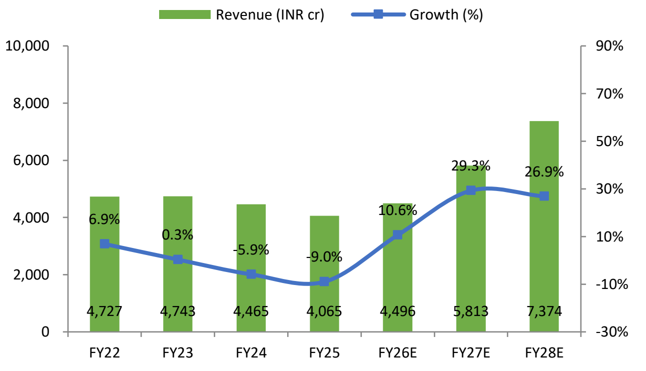


Exhibit 15: The higher realization of data center cables with less proportionate cost increase and deep vertical integration will lead to improvement in gross margins.

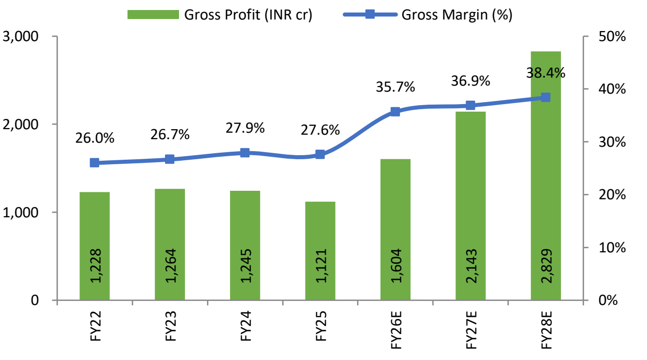


Exhibit 16: Growth in EBITDA & PAT levels

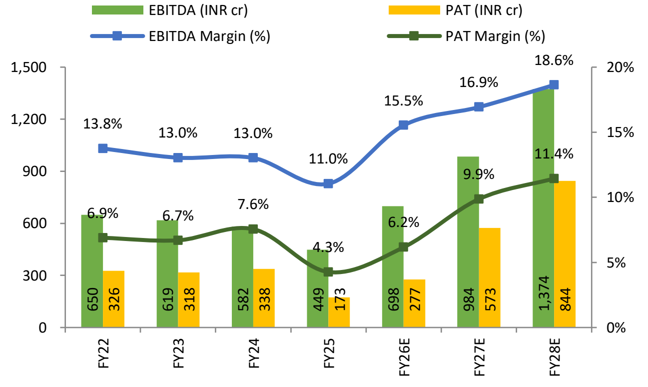


Exhibit 17: Return ratios to be improve

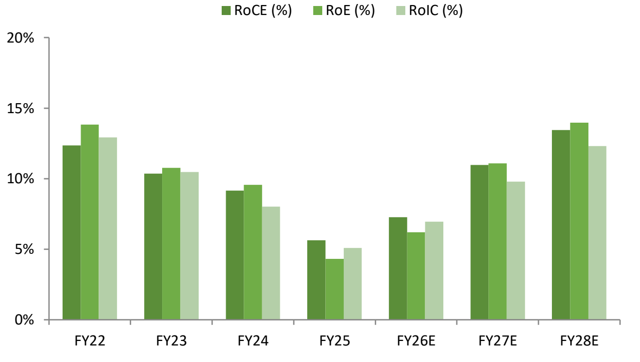


Exhibit 18: Telecom products WC cycle is lower and increase in products share would improved working capital days.

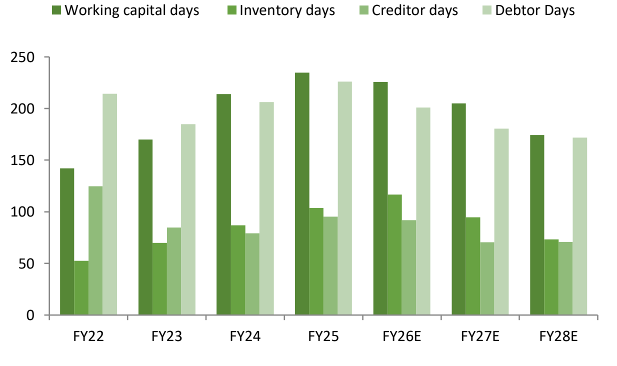
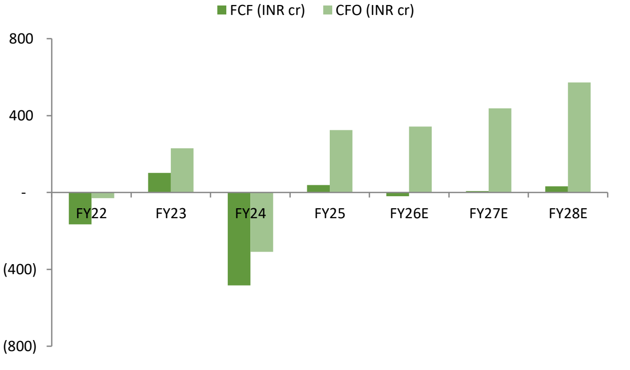


Exhibit 19: Cash flows to be improve



Source: Company reports, Arihant Capital Research

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BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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